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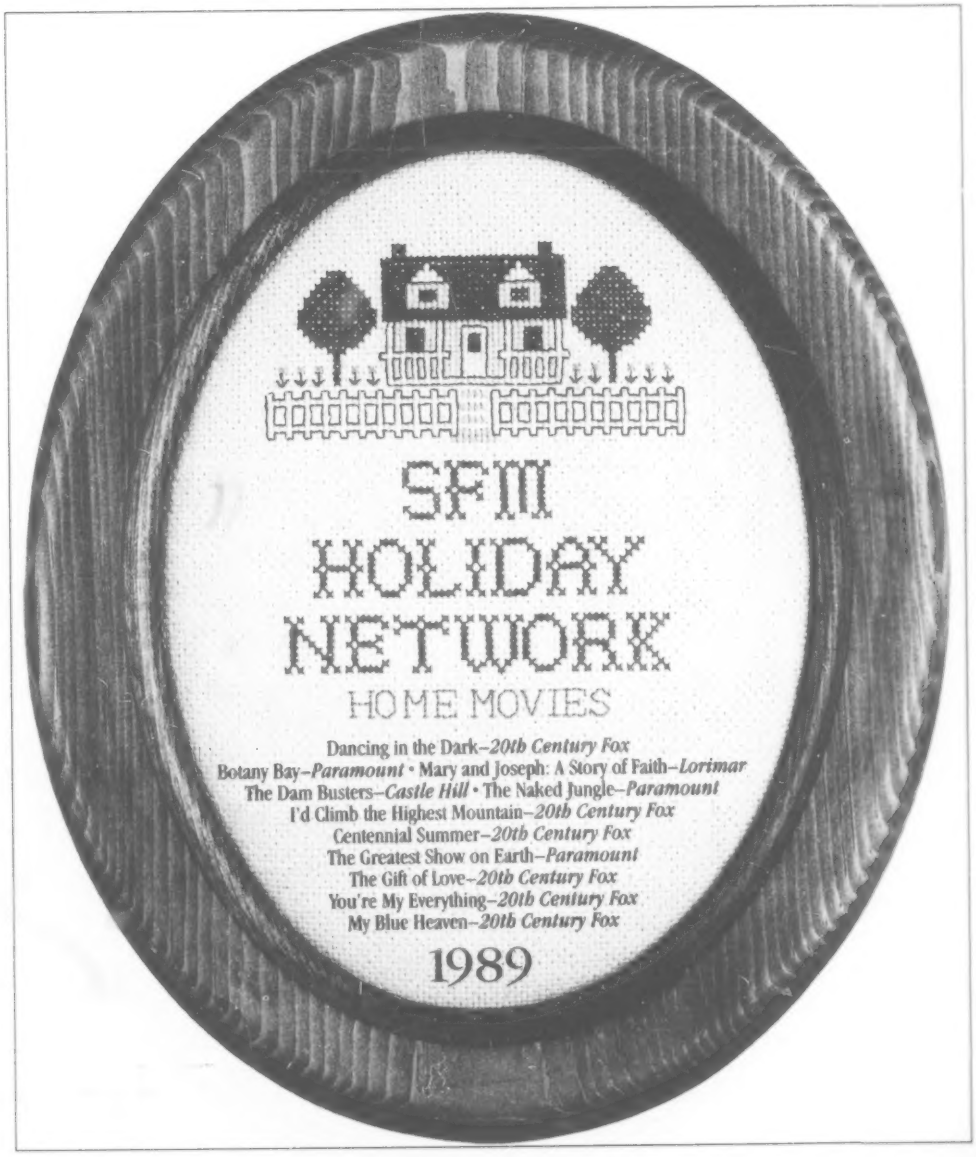
RADIO TELEVISION CABLE SATELLITE

Broadcasting Jul 18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HOME MOVIES
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Botany Bay–Paramount • Mary and Joseph: A Story of Faith–Lorimar
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Satellites

Vol. 115 No. 3

Broadcasting Jul 18

CBS changes...

Larry Tisch names Howard Stringer to replace Gene Jankowski as president of CBS/Broadcast Group; David Burke recruited from ABC to succeed Stringer. PAGE 27.

CBS executives (l-r) Jankowski, Tisch and Stringer and ABC's Burke face press.

Strike situation...

Major producers make plans to get back to work, one way or another; group of writers plans to resign from WGA, and Writers Guild files antitrust suit against producers and broadcast networks. PAGE 29.

Looking skyward...

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Carsey (l) and Werner

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Jesse Jackson

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BY THE NUMBERS

Summary of broadcasting and cable

BROADCASTING			
SERVICE	ON AIR	CP's[1]	TOTAL *
Commercial AM	4,913	287	5,199
Commercial FM	4,085	565	4,650
Educational FM	1,339	297	1,636
■ Total Radio	10,337	1,149	11,485
FM translators	1,585	435	2,020
Commercial VHF TV	543	18	561
Commercial UHF TV	501	200	701
Educational VHF TV	119	6	125
Educational UHF TV	215	30	245
■ Total TV	1,963	254	1,632
VHF LPTV	106	163	269
UHF LPTV	282	1,143	1,425
■ Total LPTV	388	1,306	1,694
VHF translators	3,067	109	3,176
UHF translators	2,179	348	2,527
ITFS[2]	250	114	364
Low-power auxiliary	824	0	824
TV auxiliary	7,430	205	7,635
UHF translator/boosters	6	0	6
Experimental TV	3	5	8
Remote pickup	12,338	53	12,391
Aural STL[3] & intercity relay	2,836	166	3,002

CABLE†	
Total subscribers	45,000,000
Homes passed	71,500,000
Total systems	8,000
Household penetration	51.1%
Pay cable penetration	28.8%

* Includes off-air licenses. † Penetration percentages are of TV household universe of 88.6 million. [1] Construction permit. [2] Instructional TV fixed service. [3] Studio-transmitter link.

ing bill, although it stopped short of recommending veto.

Bill is product of negotiations between Subcommittee Chairman Ed Markey and NAB and proposes limits on commercial time in children's programs of 10½ minutes per hour on weekends and 12 minutes per hour on weekdays. Measure has undergone considerable revisions and excisions, among latter language that would have required broadcasters to air one hour per day of informational and educational programing and provisions aimed at curbing so-called program-length commercials.

In response to U.S. Court of Appeals in Washington and petitions from Action for Children's Television, FCC launched broad inquiry into children's advertising. In its comments, ACT asked FCC to limit children's advertising to 9.5 minutes per hour and require two-year period before toys featured in programs can be promoted. ACT June 17 also filed petition at FCC to add one other element to its investigation: allegation that advertisers (mainly toy manufacturers) are making, and nonnetwork TV stations are airing, second set of commercials that internal network policies prohibit.

Crossownership

■ *Telco-cable*—National Telecommunications and Information Administration, in report on cable television regulation, has recommended that telephone companies be allowed to serve as transporters of others' programing in telcos' own service areas (BROADCASTING, June 20). They should be allowed to provide "video dial tone" to anyone with program to offer, though not programing of their own, in NTIA's view. At present, FCC regulations and Cable Act, as well as modified final judgment issued by U.S. Judge Harold Greene in his supervision of breakup of AT&T, now are seen as barriers to such crossownership. National Cable Television Association and California Cable Television Association have asked three FCC commissioners to review staff's April 12 decision to waive telco-cable crossownership rules and allow GTE to build cable system in Cerritos, Calif.

Question of whether telephone companies should be allowed to offer cable service within their telephone service areas has been central to separate FCC proceeding that could lead to dropping of FCC rules barring such crossownership and recommendation to Congress to eliminate redundant prohibition in Cable Communications Policy Act of 1984. FCC is expected to call for further comments at this week's FCC meeting (July 21). Not waiting for FCC, Representative Howard Nielson (R-Utah) introduced legislation to eliminate statutory ban.

Even if FCC and Congress drop crossownership prohibitions, seven Bell operating companies would still be prevented from entering cable business by Judge Harold Greene's modified final judgment in consent decree that led to breakup of AT&T. National Telecommunications and Information Administration has petitioned FCC to preempt Greene's regulation of BOC's, arguing that Greene is hampering BOC's entry into information services, including cable. President's Cabinet-level Economic Policy Council is considering legislation that would deregulate BOC's.

Duopoly/one-to-a-market. FCC officials, speaking at NAB convention (April 9-12), said record in duopoly and one-to-a-market rulemaking supports some relaxation of rules. But officials indicated that opposition from Hill to any FCC initiative involving liberalization of broadcast ownership rules makes any action on rules unlikely at this time.

Broadcast-newspaper—Rupert Murdoch won victory in U.S. Court of Appeals in Washington March 29 when court ruled that statute passed by Congress in session's final hours violated First and Fifth Amendments by prohibiting FCC from extending current waivers of rule banning newspaper-television station crossownership. Court did not rule on constitutionality of substance of provision that bars commission from repealing or modifying television-newspaper crossownership ban.

Action came too late to enable Murdoch to retain *New York Post*, which he sold in February to real estate developer Peter Kalikow for $37 million so that Murdoch could keep WNYW(TV) New York. In wake of court decision, Murdoch could seek further waiver to allow him to keep WFXT(TV) Boston and *Boston Herald* in lieu of selling one or other. But, instead, he has asked to keep both by placing station in irrevocable trust (BROADCASTING, June 20, 1988).

Direct Broadcast Satellites

April 8 round of applications at FCC brings current total to nine U.S. firms holding or seeking DBS construction permits—four new applicants, three requests for construction permit modifications and one request for four-year extension.

One applicant, Advanced Communications, and interested party, Washington-based Wireless Cable Association, filed petitions June 17 to deny construction permit to another applicant, Tempo Satellite. Petitions argued that Tempo's parent company, Tele-Communications Inc., has "monopoly power" and that "horizontal concentration of ownership within cable" means firms like TCI "can use

CPB resolutions may prove moot. Package of resolutions, in future budgets, would "focus CPB's resources on limited number of higher priority issues" with "measurable" contribution to programing as single criterion for each budget decision. Board also resolved to extend use of all appropriate programing for educational purposes and approved radio program fund top priority of creating "major new services and series."

NPR board of directors is scheduled to meet July 13-14 to address 1989 capital budget, satellite interconnection costs, program access policy and public radio expansion plans.

PBS and National Cable Television Association appointed liaisons in early May to discuss channel placement issues with respective camps.

PBS board April 13 approved $24.7-million fiscal 1989 budget. NAPTS board approved $1.9-million budget that same day. At May Public Radio Conference in St. Louis, NPR adopted $29.4-million FY 1989 operating budget.

Scrambling

■ Due to latest developments on Capitol Hill and in marketplace (BROADCASTING, July 4), prospects for passage of legislation regulating home satellite industry are considered dim. For starters, House bill (H.R.1885) passed Telecommunications Subcommittee by narrow vote, 13-11, indicating that action in parent Energy and Commerce Committee might not be forthcoming. Moreover, momentum behind measure is believed to have slowed because of announcement that National Rural Telecommunications Cooperative (noncable distributor serving dish owners) had closed deals with five leading cable programers, move many observers feel will persuade lawmakers that congressional intervention is unnecessary. Moreover, NRTC, which is one of legislation's chief proponents, says it is no longer going to push for Hill action.

Despite NRTC deals, Senator Al Gore (D-Tenn.) believes there is still need for legislative action and is poised to move his satellite measure next week after Democratic convention. Both House and Senate bills would mandate that cable programers permit any qualified third party to distribute their services to backyard dish (TVRO) owners. Gore will offer measure as rider to another bill because of problems he encountered trying to gain time agreement to bring up legislation. Senate Communications Subcommittee Chairman Daniel Inouye (D-Hawaii) is legislation's chief opponent.

On other front, last week House Copyright Subcommittee passed legislation (H.R. 2848) to permit satellite distribution of broadcast signals—superstations—to backyard dish owners. However, bill's future is unclear because it has become entangled in jurisdictional dispute between copyright and House Energy and Commerce Committees (BROADCASTING, July 11). Commerce is likely to request referral once bill moves from parent Judiciary Committee which will slow down legislative process at time when there are fewer than nine weeks on congressional calendar.

Syndex

At May 18 open meeting, FCC adopted unanimously new syndicated exclusivity rules empowering television stations to enforce exclusivity of their syndicated programing against cable systems.

In adopting rules, which are similar to those dropped by agency eight years ago, FCC said they would end "the reign of re-runs" on cable and increase the diversity of programing on broadcast and cable. They would also make television marketplace fairer by allowing television station to contract for true exclusivity as cable programers do, FCC said.

Today, typical cable system imports several distant broadcast signals; some of syndicated programing on signals duplicates that on local television stations. Under syndex rules, stations could force cable systems to delete duplicative programing.

The FCC acknowledged that cable systems would suffer increased costs from having to delete and, if they wish, substitute programing, but said benefits outweight costs. What's more, FCC added several provisions to mitigate impact of rules. Rules will not take effect for one year and systems with 1,000 or fewer subscribers are exempt. Also, exclusivity in existing contracts may not be immediately enforceable. ■

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TV station sales: the list grows longer

High debts and sluggish ad sales are forcing many stations to the block; brokers see boom growing

Whither goest the TV station trading market? The word last week that George Gillett was shopping some of his properties sent a shiver of concern down the collective backs of TV station owners, who are worried that the seemingly endless appreciation of their properties may be ending. Station brokers and investment bankers are in fact looking for a boom in TV station sales, especially network affiliates, pointing to the large number of stations currently on the block. But the good news, the traders say, is that there are more than enough buyers to go around, so those who were concerned that they missed high-profit selling opportunities to an increasingly bull trading market can remain calm.

Part of the concern centers around the moribund state of TV trading since the stock market crash. One investment banker pointed to the fact that, until the spring of this year there had been no TV sales over $6 million since last year's sale of two Harte-Hanks TV's to Gannett for $155 million ("Changing Hands," Dec. 7, 1987). That slowdown has kept station prices artificially high, said investment bankers, because so few quality stations come up for sale. So far this year, there have been 19 TV sales involving 23 stations, amounting to $364,628,350. Of those sales only three occurred before March, accounting for only $4 million (two of those sales were for about $500,000).

With no sales at all in February, activity only began to pick up in mid-March, with three sales totaling $26,658,350. In April there were two sales totaling $55,500,000, and in May there were nine sales totaling $203,250,000. Last month Broad Street Communications bought two stations from Woods Communications Group for $74.1 million. Most surprisingly, with network affiliates being a rare commodity on the market, 16 out of those 23 stations were ABC, NBC or CBS affiliates and two were Fox affiliates.

Why the turnaround in sales? Brokers and investment bankers feel that many of the highly leveraged deals of the last five years—and the high debt service they require—are running into a slowdown in advertising revenues. Steve Rattner, a managing director with Morgan Stanley, said, "TV stations have been selling at multiples of 12 to 16 times cash flow for the last three years. That presupposes double digit increases in cash flow to meet debt service, and that can't be sustained forever." That has brought many owners to the realization that while they are still not in a state of urgency, it may soon be time to peddle or perish.

Another factor that has contributed to the anxiety is a disappointing year for sales growth. Experts point out that 1988 ad sales had not lived up to the expectations TV owners had for an election and Olympics year. "TV ad sales, as a whole, have not seen the growth in sales that everyone expected for a quadrennial year like 1988," said broker Larry Wood of Wood & Co, Cincinnati. "It has not turned out to be a great year ad-wise," agreed Rattner. "Relative to other years, it's not nearly the same."

Rattner, for one, pointed to a more ominous prospect for the slowdown. "It's unavoidable," said Rattner. "The economies have changed and it's unlikely that property values will grow at the same rate. And there is one change that can be summed up in one word: cable." Rattner pointed to the decline in network share over the last five years. "It's a fundamental change that cuts into network revenue," said Rattner. "It's going to be a different business in the future. The networks are just going to have to adjust to stable or declining revenue, but that doesn't mean there still won't be lots of business. It will just be a different business." That concern is at the root of much of the nervousness among station owners. Some fear inevitable decline, and many think this may be the last chance to sell before prices begin to flatten.

TV sales this year

23 sales—$364,628,350

Month	Number	Amount
January	3	$4,020,000
February	0	0
March	3	$26,658,350
April	5	$55,500,000
May	10	$203,250,000
June	2	$74,100,000

Greg Siebert, a managing director of Bear Stearns, agreed that many stations are coming up for sale, but was more more optimistic about the reasons for the sales. "I don't see a lot of desperation out there," he said. "Many people see...an opportunity to obtain good prices and pay down debt. After five years of good times, there is a certain amount of uncertainty, but there are also a lot of buyers. It will be interesting to see if the old line broadcasters or the highly leveraged players will do most of the buying." Siebert said he expected to see many industry players back for acquisitions.

Telemundo, for instance, is selling WKAQ-TV Puerto Rico, which Siebert said was an example of a buyer prudently picking the time to sell a property that doesn't quite fit a portfolio and using the proceeds to buy down debt.

Aside from Telemundo and Gillett, several other properties are up for sale. TVX Broadcast Group recently filed a reorganization plan that may place much of the group on the block (BROADCASTING, May 30). TV Station Partners is also selling its stations (Closed Circuit, July 4), and Outlet Communications may be selling several of its properties (see story, page 64). Viacom put its WVIT(TV) Hartford, Conn., up for sale this week (see "In Brief"), and Smith Broadcasting just announced the purchase of KWCH(TV) Wichita, Kan., from the Beach-Schmidt Group for $45 million in a deal handled by Chapman Associates. Last Friday (July 15), Adams Communications announced that it had reached agreement to sell WKEF(TV) Dayton to KT Communications, a new group, for $71.5 million.

According to brokers, the next few months should see even more TV sales coming. Charles Giddens, broker with Media Venture Partners in Washington, expects a very large influx of properties within the next few months. "The market has been higher than a kite for a long time and people are wondering if it's at its peak, and that will draw some sales," said Giddens. "TV has been slow until recently, but it's going to get real interesting real soon. There will be a lot happening."

While this boom has been coming since mid-May, the offerings of the Gillet properties has caught the industry's eye, because the properties are so valuable. Estimates for Gillett's Detroit and San Diego properties fall at about $400-$450 million (with some estimates as high as $550 million), and the asking price for WMAR(TV) Baltimore is said to be between $280 and $300 million. There are estimates that all the properties Gillett is offering could bring as much as $1 billion.

Though debt repayment is the most logical reason for Gillett's sales, there are persistent reports that Gillett has higher ambitions than station group ownership. With a distinct feeling of *deja vu*, insiders report that the money is needed for a venture of a wholly different kind. They say Gillett has discussed the possibility of acquiring CBS through a proxy fight. □

FCC to approve settlement transferring KHJ-TV to Disney

Action would put end to 23-year comparative renewal case before commission decides whether RKO is fit broadcast licensee

At a closed-door meeting this Wednesday (July 20), the FCC is expected to approve a settlement in the 23-year-old comparative renewal case involving RKO General's KHJ-TV Los Angeles that will net RKO $219 million and put the independent station in the hands of Walt Disney Co. If so, the decision will come in spite of the finding by an FCC administrative law judge a year ago that RKO was unfit to be a broadcast licensee.

Under terms of the settlement, which has been pending at the FCC since the spring of 1987, Disney will pay $324 million for the station, with $219 million going to RKO

Special Report

Vast majority of birds now in orbit will reach end of life in mid-1990's; operators and programers have begun to design their replacements

It's crunch time for the television networks—broadcast and cable—and the operators of domestic communications satellites. "The next generation of satellite decisions are being made right now," said GE Americom President Kevin Sharer.

Over the next 18 months or so, dozens of networks will evaluate countless technical and economic variables and choose satellites for the distribution of their programing to television stations or cable systems. Those decisions will determine the shape of satellite communication into the next century.

At this point, the broadcast networks are out ahead of their cable counterparts. The Public Broadcasting Service and National Public Radio, which became the first broadcast networks to make the move to satellite in the late 1970's, have already received detailed bids from satellite carriers for replacement systems, and expect to make some decision by the end of the year. CBS asked for bids last month, and ABC is talking to satellite carriers. They anticipate signing contracts within a year.

The activity is being precipitated by the aging of the current generation of satellites. Assuming lifespans of no more than 10 years, 23 of 28 satellites will reach the ends of their useful lives by the end 1995, taking 390 C-band transponders and 90 Ku-band transponders out of commission. By the end of 1993, nine birds—those carrying the vast majority of network and cable programing on 216 C-band transponders—will be out of commission.

Programers venturing out into the market will find that it has changed. Satellite capacity will be more expensive. The costs of building, insuring and launching satellites have risen sharply over the past few years. What's more, satellite carriers are insisting on upfront commitments before they build and launch satellites. They are no longer willing to put up satellites on speculation as they have in the past. Speculation based on serious misjudgments about demand particularly from the telephone industry have caused all the carriers some degree of financial pain.

It now costs half a billion dollars to build three satellites and put two of them in orbit. The unwillingness of carriers to bear the risk alone is borne out by the fact that despite the unquestionable demand from the television industry, only one satellite, GE Americom's and Home Box Office's Satcom K-3, is now under construction. GE Americom and Hughes Communications each have a C-band satellite on the ground, but both were ordered years ago. And, according to sources, even they will not be launched before they have customers.

While selling cable programers capacity on the next generation of C-band satellites for distribution to cable systems, GE Americom and Hughes are also trying to convince their customers to become part of their still amorphous plans to create a Ku-band satellite broadcasting service in the United States. Such a service will reach homes equipped with dishes no larger than one meter in diameter.

Although most of the broadcast and cable networks are committed to C-band for the next generation, there will still be a growing role for Ku-band satellites. They have proved their value in bringing back remote feeds on short notice for news and sports, and they have helped spawn a multitude of private satellite business networks for data, voice and video.

The market activity in the coming years will change the face of the satellite communications business in the U.S. Indeed, a shakeout that some believe could reduce the number of carrier to just two or three is already underway.

Television programers, which gobbled up transponders at the rate of one per television channel, have turned out to be the domestic

satellite industry's prime movers as telephone companies shift their traffic to terrestrial fiber optic networks. □

CBS-TV, ABC-TV and PBS will make decisions by mid-1989; Cap Cities may fly network, ESPN and other cable service together; possible partnerships with operators

CBS and ABC will decide by mid-1989 where to take their satellite business through the end of the century, spokesmen for both networks said last week. After issuing a formal request for price quotations in late June, CBS expects responses from satellite operators within six weeks. ABC is conducting the same kind of inquiry in a less formal fashion. Both are among the largest individual satellite customers. CBS currently utitilizes 10 C-band and one Ku-band transponders (nine C-band on Telstars 301 and 302; one C-band on Westar V and one Ku-band on GTE Spacenet's GStar II). ABC now uses seven C-band transponders (on Telstars 301 and 302) and three Ku-band transponders (on GTE's GStar and Spacenet birds).

Telecommunications directors at both networks said that, though they expect no radical changes in the amount or type of capacity they use, some expansion of capacity in both C-band and Ku-band is likely. Both also said that renewal with their current carriers is anything but automatic.

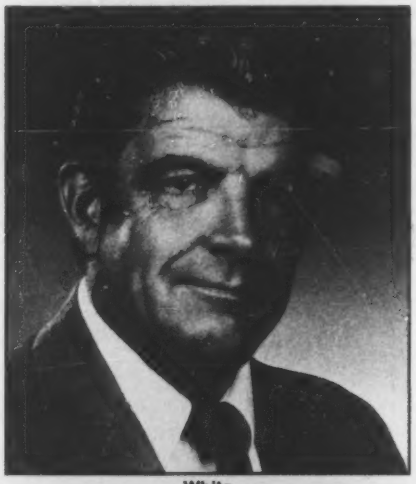
ABC's and CBS's efforts are driven by the fact that the satellites they currently use for distribution—AT&T's Telestar 301 and Telstar 302—are due to reach the ends of their useful lives between 1993 and 1995. The life of a satellite is determined principally by the amount of station-keeping fuel it has left. Once the fuel is gone, the satellite operator can no longer keep the satellite at a "fixed" position on the horizon, making it unusable for conventional satellite communications.

NBC, which leases eight Ku-band and two C-band transponders on co-owned GE's Satcom K-1 and F-1 birds, will need replacement capacity two years later than the other networks.

(Both CBS and ABC said that, despite their participation in an affiliate distribution 'fiber trial' to be conducted by Bellcore next summer, network needs for satellite capacity are assured through the end of the century. Fiber has made inroads into satellite's point-to-point traffic market. But David White, CBS's telecommunications director, and Brent Stranathan, telecommunications director for ABC, said that fiber's current inability to handle multiple feeds—distribution of several regular distribution feeds for airing and for taping, seven or eight regional sports feeds, several regional advertising feeds and incoming news and sports events feeds—make fiber infeasible in the near future.)

Despite the current environment of converging power among fewer satellite operators, the networks want to maximize their options. "We'd like to believe competition fosters lower prices," said Stranathan, confirming that the network has had "sit-down meetings with all of the operators, on the executive and working levels."

Because of higher construction and launch costs, and because of a history of satellite capacity oversupply, operators are vowing an end to launches on speculation. Said GTE Spacenet president, Jerry Whalen: "We won't be launching capacity that is



White

Savatiel

not identified for particular users," a position echoed by other operators. "It would be nice to go back to the old days," said Stranathan, when programers could shop for capacity already in orbit. But "the reality is that there will need to be more precommitments.

"A whole array of financial arrangements, including partnerships, is possible. No carrier will be interested in a third or half of the life-of-the-bird commitment. We're probably saying we want to protect ourselves until the year 2000." That situation is not without advantages. In addition to more lowest-bid potential, Stranathan said, "this time we'll be more involved in the design and economics."

ABC's parent company, Capital Cities/ABC, is "looking at eventually aggregating all our services [cable and broadcast] on one [satellite] system," including ESPN. "GE and Hughes are probably in a better position, having a leg up in cable," he said. "Certainly AT&T will be considered. The fact they've been good to us helps. We're happy, but economics and technical features will determine the outcome of the process."

Stranathan said ABC may order several transponders beyond what it needs for distribution so that it will have occasional time available for bringing in special events, news and sports programing. "There is a chance that the cost of carrying unused time on a full-time transponder will be balanced by the need to have it in hand in a tighter market."

CBS's White concurred. Extra leases may have to be looked at, he said, not only because of their potential cost, but because the operators might not even launch enough capacity, over and above precommitted transponders, to go around. White disagreed, however, with the idea that precommitment will mean long-term contracts only, arguing that "life-of-the-bird is no longer as limiting a condition," because the new birds will last 12 to 16 years, too long a commitment to make, he said. "We don't want to contract ourselves out of the next technology."

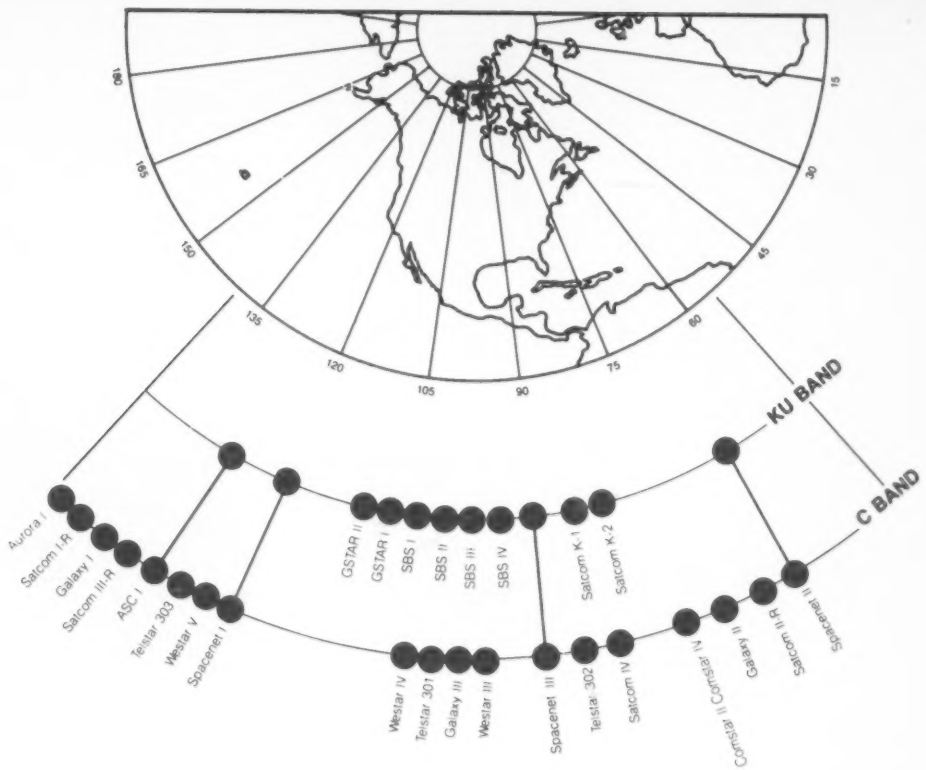
PBS and NPR use four C-band transponders on Western Union's Westar IV satellite, due to go out of service in 1991. Having received proposals earlier this year from GE, GTE Spacenet, Western Union and Hughes (Hughes resubmitted a combined proposal last month after finalizing a deal with Western Union), PBS staff will narrow its picks to two or three by late September, said PBS satellite replacement office director, Jackie Weiss. With PBS board approval of final options—"Hypothetically, we might go to one operator to discuss six C-bands, or to another to discuss four C's plus Ku," Weiss said—the last four months will be used to rush toward making "an agreement in principle very early in 1989."

"I would think we'd need more C-band to expand services like National Narrowcast, although Ku appears to be preferred for expanded services to schools and state organizations" that are finding it feasible to install the smaller Ku-band dishes on rooftops. Although she said that the prospect of being locked out of satellite advances launched later in the 1990's "is an issue for us, we likely will go with a long-term contract" next year. "That is not to say we won't negotiate options—for example a band jump or the options to add capacity at some specified time."

Current providers usually have a solid leg up in re-signing a current customer. They are known quantities with service track records and an intimate knowledge of the customer's needs. And it is costly for customers to repoint hundreds or thousands of satellite receiving dishes on the ground at a new bird. AT&T holds the advantage with the two networks. Assuming it closes on its purchase of Western Union's satellite facilities, Hughes has the inside track with PBS and NPR.

But an advantage is not a guarantee. ABC and CBS, said Hughes president, Steve Petrucci, "have no a priori reason to stick with

Satellite guide to the sky



Carrier Satellite	C-band trans.	Ku-band trans.	Launch date	Orbital slot
Alascom				
Aurora I*	24	--	Jan. 1982	143
AT&T				
Telstar 301	24	--	July 1983	96
Telstar 302	24	--	Sept. 1984	85
Telstar 303	24	--	June 1985	125
Comsat				
Comstar II	24	--	July 1976	76
Comstar IV	24	--	Feb. 1981	76
SBS I**	--	10	Nov. 1980	99
SBS II**	--	10	Sept. 1981	97
Contel ASC				
ASC I	18	6	Aug. 1985	128
GE Americom				
Satcom I-R	24	--	April 1983	139
Satcom II-R	24	--	Sept. 1983	72
Satcom III-R	24	--	Nov. 1981	131
Satcom IV	24	--	Jan. 1982	82
Satcom K-1	--	16	Jan. 1986	85
Satcom K-2	--	16	Nov. 1985	81
GTE Spacenet				
Spacenet I	18	6	May 1984	120
Spacenet II	18	6	Nov. 1984	69
Spacenet III	18	6	March 1988	87
GStar I	--	16	May 1985	103
GStar II	--	16	March 1986	105
Hughes Communications				
Galaxy I	24	--	June 1983	134
Galaxy II	24	--	Sept. 1983	74
Galaxy III	24	--	Sept. 1984	93.5
IBM				
SBS IV	10	--	Aug. 1984	91
MCI				
SBS III	--	10	Nov. 1982	95
Western Union***				
Westar III	24	--	Aug. 1979	91
Westar IV	24	--	Feb. 1982	99
Westar V	24	--	June 1982	122.5

* Aurora I, originally Satcom V, is owned by Alascom but operated by GE Americom.
** The sale of SBS I and SBS II to Comsat was approved by FCC this month; they and Comstar birds have run out of fuel and gone into 'north-south drift,' but are being kept in use by Comsat's tracking antenna system. Comstar birds are co-located in same orbital slot. Although each satellite has 24 transponders, only 24 can be used at one time.
*** Western Union awaits FCC approval of Westar system sale to Hughes Communications.

their present supplier. If AT&T has a satellite up there, I'm sure they would be a prime candidate to get that business, but at the moment AT&T doesn't have license . . . for a follow-on nor for a hybrid they applied for last year. The other factor about AT&T," he said, "is that the networks are their prime and perhaps only—stretching a point slightly— business, and it's questionable whether that's enough business to warrant a satellite operating company.

"We have enough capacity to offer to the first comer whatever he might want," Petrucci said. "If we were to gain the contracts of the networks, one or both, then that simply might alter the mix that eventually ends up in our satellite family. It just means we wouldn't go after something else. When you're full, you're full."

"Certainly we would value ABC and CBS very dearly," said Karl Savatiel, AT&T director of satellite communications, "and we'll fight like hell to keep them." Highest on the networks' priority list are quality C-band feeds and "security provisions, to eliminate saboteurs . . . like Captain Midnight" who try to interrupt programing with "maverick video," he said.

But also on the list, as evidenced by the networks' emerging affiliate news services, is the need for Ku-band capacity (see story, page 59). Currently without Ku-band capacity, AT&T seeks to make up that deficit in its proposed launches of Telstar 300 series replacements, Telstar 401 and 402, two hybrid birds that will carry 24 C-band and 24 Ku-band transponders each, said Savatiel. Although 10 applications have been filed for only half a dozen assigned hybrid slots (see chart below), Savatiel said FCC preference for granting Ku-band capacity to those who currently have none will be in AT&T's favor.

AT&T believes the hybrid satellites are just what the networks need. The networks' distribution feeds will remain on C-band, he said, because "it has given them high-quality service, and the reliability is excellent," he said. But having C-band and Ku-band transponders on the same bird will give the networks unparalleled operating flexibility, allowing them to uplink in one band and downlink in the other. It will also allow stations to receive news feeds and the network feed at the same time through one dish. "It gets difficult to coordinate feeds" on a day like Super Tuesday in the presidential primaries, said Savatiel, "when you have to transverse across the entire arc. When you want [news backhaul] capacity, you want it now."

GTE will also compete for that business. After the launch of GStar III in September, said GTE president, Jerry Whalen, his firm "will have, I believe, approaching 40% of the Ku-band capacity in the U.S.," due to the emerging business data and video market and to what what he described as a "growing Ku-band application" at the networks. "We are the leading provider of satellite newsgathering services in the U.S., which is to the broadcast affiliates and private stations around the country, and we have every expectation of continuing to grow that business area."

Landing at least one network contract will help in landing contracts from resale carriers like Wold Communications, which distribute syndicated programing and provide sports and other special event 'backhaul' transmissions to television stations (see story, page 57). Having capacity alongside the networks assures that a lot of television stations will be looking at the satellite, according to Savatiel. Resellers now comprise "about a third" of Telstar traffic, he said.

The world of would-be satellites

These are the 21 fixed satellite applications now on file with the FCC.

Carrier Satellite	C-band transponders	Ku-band transponders	Launch date	Orbital slot	Total cost
Alascom					
Aurora I-R	24	--	--	142	--
AT&T					
Telstar 401	24	24	1992	101	
Telstar 402	24	24	1993	93	$489 million
Contel-ASC					
Contelsat I	24	16	1993	101	
Contelsat II	24	16	1993	128	
ground spare	24	16	--	--	$456 million
GE Americom					
GE --	24	16	1991	101	
GE --	--	16	1993	99	$542 million
GTE Spacenet					
Spacenet I-R	24	22	1993	120	
Spacenet II-R	24	22	1993	69	
GStar I-R	24	22	1993	103	
GStar III	--	16	(Nov.) 1988	124	$546 million
Hughes Communications					
Galaxy I-R	24	--	1992-93	134	
Galaxy II-R	24	--	1992-93	72	
Galaxy III-R	24	--	--	94	$412 million
Galaxy K-C	--	24	--	101	
Galaxy K-D	--	24	--	89	
*Galaxy V	24	--	1994	101	$544 million
National Exchange Inc.					
Spotnet I	16	8	--	101	
Spotnet II	16	8	--	93	
ground spare					$563 million

*Hughes said it has applied to launch Westar IV and V replacements and will likely withdraw Galaxy V application, if Hughes's purchase of Westars III, IV, V and VI is approved at FCC. Westar VI is already constructed and would be launched next year by Hughes to replace Westar III.

Hughes and GE Americom seek to maintain cable satellite dominance, but cable will have options

Although public TV and radio and CBS are the only major programers to have issued formal requests for prices and information on the next generation of satellites, cable programers have also begun to query satellite operators. Cable program services currently occupy 124 C-band transponders—five times the number occupied by CBS, ABC, NBC and Fox Broadcasting—primarily on four satellites due to reach end of life between 1992 and 1995.

How much pressure any given cable programer feels to make satellite plans depends on what satellite or satellites it is using now. The four cable birds expire at different times: GE Americom's Satcom III-R, 1991-92, and Satcom IV, 1992, and Hughes's Galaxy I, 1993-94, and Galaxy III, 1994-95.

GE Americom and Hughes are vying to retain their current shares of the cable market, and, perhaps, increase it in the upcoming round of negotiations. And AT&T believes the pie can be split at least three ways.

Hughes has tried to position itself to serve the cable industry throughout the 1990's with the acquisition of Western Union's satellite operation, now subject to FCC approval. The key to the deal is the already constructed Westar VI. According to Steve Petrucci, president of Hughes Communications, once launched, Westar VI will be available to provide service to cable programers while the next generation of satellites is being built and launched. In addition to Westar VI, he said, Hughes "fully plans" to launch replacements for Galaxy I, Galaxy III, Westar IV, Westar V and possibly Galaxy II, assuming, of course, it gets precommitments for them.

Cable programers currently lease fewer

Hughes's proposed HS 601 direct broadcast satellite

than 70 C-band tranponders on the Galaxy birds. Given Hughes's commitment to operate five C-band Galaxy system satellites carrying 120 transponders by 1995, some 46 more customers will have to be found.

Pointing to phenomena like the proliferation of home shopping services, which at one time increased demand by 10 or 11 transponders, Petrucci said there will be some growth in the number of cable networks to drive the satellite market. He predicted a "one to five percent increase per year" in C-band demand. AT&T's concerted, although failed, effort last year to gain Viacom as a customer speaks for AT&T's serious designs on cable programers, Savatiel said.

AT&T's Telstar 303, where Viacom would have gone had it not received a better deal on Galaxy III, Savatiel said, is close enough in the arc to Satcom III and Galaxy I that, "with the right kind of antenna, [a cable headend] could actually receive all three" satellite feeds. Operable until 1995, Telstar 303 remains a viable cable satellite, and proposed Telstar 401 and Telstar 402, with a total of 48 C-band transponders, could pick up where Telstar 303 leaves off.

A year ago, GE Americom was trying to persuade cable programers to shift from C-band to Ku-band distribution by leasing capacity on two 16-transponder, Ku-band satellites, Satcom K-3 and Satcom K-4. The two Ku-band birds are being built by Crimson Satellite Associates, a joint venture of GE Americom and HBO.

But the cable programers made clear to GE Americom that they were not interested in Ku band for distribution. It was too expensive and it was incompatible with cable operators' C-band ground equipment.

GE now talks like Hughes, promising cable programers as much C-band capacity as they need. The cable industry will require as much C-band in the next generation as it does now, said GE Americom President Sharer. "I have worked like mad in the last year... to drive a stake in the heart of the idea that it is a Ku-band versus C-band in the cable industry. Our approach to the cable market is: We have everything to provide you what you need."

Economics dictate the replacement of C-band satellites with C-band satellites, he said. Satcom III-R's orbital slot at 131 degrees west is "a very valuable piece of real estate," he said. "There are 7,500 [cable headend] antennas looking at that place in the sky. So you have a real good street corner there, and you'd like to put as many cable transponders on that street corner as you possibly can, economically. If you put a hybrid there, and you only had 18 C-band transponders, you wouldn't be making maximum use of your street corner, unless the cable guys also used the Ku-band transponders on the satellite. That isn't impossible technically, but it's likely that C-band for only cable headend distribution is going to be the best economic choice."

Among the programers, said Sharer, there is "loud and clear" consensus concerning a desire for higher power, regardless of bandwidth. They want "power, price and protection [back-up capacity in case of satellite failure.]" More power, he said, means "more margin for equipment that may not be tuned up just right. More power [than the first generation's 7- to 9-watt average] is just better." And protection, he said, comes either in the form of a back-transponder on the same satellite, a programer spreading out its feeds over more than one bird or, "the most secure form of protection," an in-orbit spare. "The HBO's and ESPN's of the world," he said, will buy all those forms.

GE's and HBO's Satcom K-3 should be ready for launching sometime next year, primarily as a satellite broadcasting vehicle for cable programers. The satellite's 60-watt transponders are powerful enough to deliver programing to three-foot dishes. "I think all programers have recognized that they need to make decisions within the next nine months and are talking to us," said Robert Zitter, vice president, network operations, HBO. "I'm very optimistic that by time K-3 is launched, its transponders will be filled with major" cable channels, he said. HBO's channels will use four of those transponders.

HBO is not abandoning C-band, however, Zitter said. "We're planning on distributing [the HBO networks] on Ku-band, and by the same token we'll continue to use C-band," Zitter said.

HBO has begun to look at the next generation of C-band birds, said Zitter, who expects that prices of C-band transponders will rise when the contracts for the next generation are written. He added that while Ku transponders are more expensive than C-band transponders, its "certainly not a significant" difference.

"We're in the same boat as the [broadcast] networks, except we have a year's reprieve," said Matthew Miller, science and technology vice president, Viacom International. Last year, Viacom shifted capacity it uses to distribute its various cable services from the Satcoms to Galaxy III, firmly establishing it as a major cable bird. Viacom now leases 11 transponders on Galaxy I and III. As the largest single cable user, its decisions on the next generation will have a major impact on decisions by other pro-

gramers.

Although Galaxy III will be operable through 1994, Viacom's leases do not go through the end of the satellite's life, said Miller. "We're talking with everybody. We talk more when it looks like there's a deal to be made" and now could be described as one of those times, he said. "We have to make decisions on replacements...on high-definition television, Ku-band [and on] whether extra power is worth the extra price. DBS or HDTV would make us think twice. We're too smart to lock ourselves out" of advances, he said. "If the structure of the business changes, we have to go along. If Crimson [the GE-HBO Ku-band cable bird venture] sold, obviously we're going to be there."

The other major cable programers are in the same place as Viacom. "We have proposals from GE and Hughes," said Terry McGuirk, vice president of special projects at Turner Broadcasting, but "we're not through with our search. By the end of the year we hope to wrap it up."

But, for some of the others, the matter has less urgency. Eastern Microwave, the distributor of the passive superstations WWOR-TV New York, KTLA(TV) Los Angeles and WSBK(TV) Boston, has had discussions with Hughes and GE about renting time on their next cable satellites, said EM general manager, Arthur Perkins. If EM's capacity on Galaxy I were reaching life's end in 1990 "we'd certainly be looking hard" at a replacement now. But since that bird should remain operable through 1992, he said, the task of securing time on the next generation of satellites is a concern, but not a pressing one.

Michael Dumonceau, vice president of program operations at the Discovery Channel, which is also on Galaxy I, also described replacement as a back burner issue since there are three years left in the channel's contract. He said that he expects those negotiations will come up in earnest "within the next year." Dumonceau said that the three-year-old service is not presently considering a long-term contract, or one that will expand its program day from 18 to 24 hours, which might require more satellite capacity.

History shows small- to medium-sized cable programers choose their satellites

Sharer

based on the decisions of major programers or "anchor customers" like HBO and Viacom. Since cable operators prefer to receive their programing from as few satellites as possible, programers seek capacity on the birds carrying the top basic and pay services.

Petrucci argues that more potential "anchor tenants" exist now than in the past. "In 1981-82," he said, "HBO might have been the only one you recognized. That's not true today at all. There are several dozen very large major cable programers." And "if you look at it in the aggregate," said Hughes video services vice president, Jerry Farrell, "you're better off to have Viacom than to have HBO." ESPN, a "billion-dollar business," said Petrucci, currently leasing capacity on both Galaxy I and Satcom III, was the chosen example in hypothetical next-generation scenarios painted by both Hughes and GE.

Despite their long-standing competitiveness, neither Hughes nor GE Americom is interested in cornering the cable market. Said Farrell: "We don't need all of the customers, and we don't have any particular ambition to have all of the customers."

DBS: high-powered Ku-band satellites, smaller dishes and threat of cable by-pass

Hughes Communications and GE Americom—the two principal satellite operators serving the cable industry—believe there is a market for the Ku-band satellite broadcasting system capable of delivering programing to homes with small, affordable antennas. Each company is trying to enlist programers' support in creating satellite broadcasting service built around its Ku-band satellites.

At the center of GE Americom plans are Crimson's Satcom K-3, which will be ready for launch next year, and Satcom K-4, which is still on the drawing board. Each has 16 60-watt transponders, powerful enough to reach one-meter dishes. They could be co-located in the same orbital slot to permit the broadcast of up to 32 channels into a fixed dish.

Hughes has FCC permits to build two "true" direct broadcast satellites (DBS) boasting 16 180- to 200-watt transponders. Because of the wide spacing between satellites in the DBS band, and the satellites' high-power transponders, they will be able to reach homes with one-foot dishes, said Hughes. Plans call for co-locating the satellites to permit up to 32 channels of service.

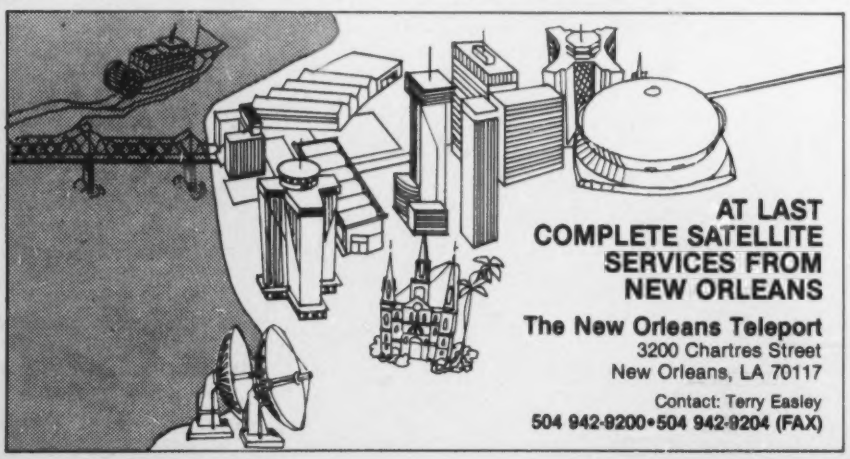
"There will be a DBS system in the 1992 time period...a true DBS business. Fact," said Hughes's president, Steve Petrucci. "That's a marketplace that can be defined. We're not the pioneers," he said. "All of the ingredients are being developed around the world, primarily in Japan and in the U.K., right now."

"We have shown that [satellite broadcasting] will work, and I believe people believe it," said GE Americom's president, Kevin Sharer. "There is a lot of intellectual interest" in DBS among cable operators, the likely retail distributors of such a system, he said. "There are not going to be two successful Ku-band, DBS businesses in the United States," said GE Americom president and CEO, Kevin Sharer. "There may be none, but there sure are not going to be two."

Both Sharer and Petrucci say they are busy trying to put the pieces of the satellite broadcasting puzzle together.

According to Sharer, the pieces include programers joining together on the same Ku-band bird; satellite operators willing "to take a grow-with kind of a price" in leasing capacity to those programers; an installation and retail distribution system to authorize and bill subscribers (cable operators have that in place, he said); home reception equipment retailing for no more than $500, and a scrambling system that works. General Instrument's Videocipher II, the system used for scrambling the distribution feeds of cable networks, "doesn't work" and its price "for the home unit is a little bit high," he said.

The elements are "all on the table," Sharer said, "but nobody's put them together yet. There is a clear consensus that the market is there. [But] to find the first guy who wants to jump out is going to be a tough thing. It will be more than a risk. A lot of people will have to simultaneously cooperate, because no one company—not GE, not GM, nobody—has got the wherewithal to establish this business system overnight. The distri-



bution start-up cost, he said, "is going to be at least one billion dollars."

For programers, said Sharer, the premium for the Satcom K-3 and Satcom K-4 capacity is 1.5 to 1.75 times the cost of C-band. Reaching markets the cable systems do not now reach—10 million to 20 million uncabled homes—via satellite broadcasting can justify the premium, he said.

Some cable operators fear satellite broadcasting as a "bypass" medium. But Sharer said such fear is unfounded. "We have a lot better understanding of the market and its nature," said Sharer, and there is "a growing awareness in the cable industry that DBS is not necessarily the enemy. It could be, but not necessarily." Cable operators are "in the video distribution business," he said, and are "a very logical retailer for DBS...If getting this uncabled [DBS] subscriber were as economically attractive...as hooking up the next home," he said, the cable operators would "pursue them with equal fervor."

Unlike Sharer, Petrucci thinks satellite broadcasting can make a go of it with or without cable. Naming the same set of elements Sharer had named—programing, hardware, encoding and distribution—Petrucci said the infrastructure required for a Hughes DBS business "may or may not include cable." Hughes's plan is "not at all" confined to a cable-ancillary configuration, he said.

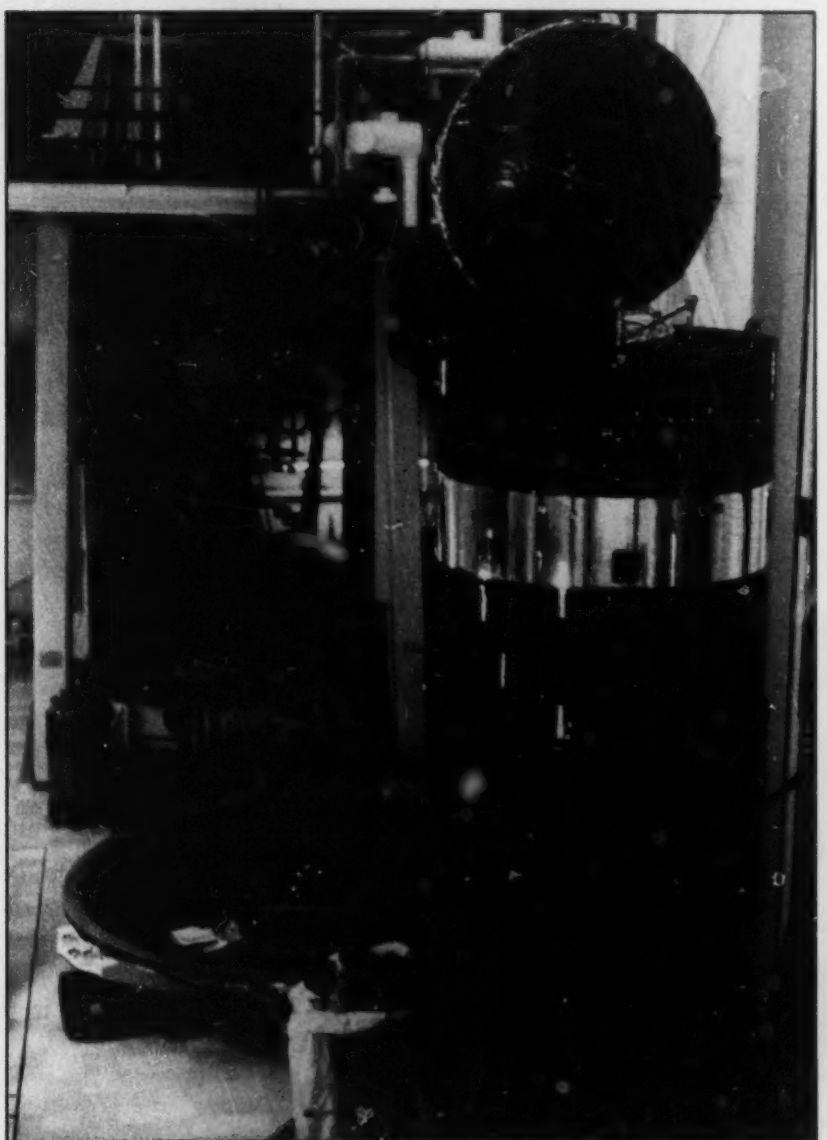
"I do not agree that [DBS cannot launch] without an HBO, or whatever you think a 'biggee' is," he said. "A movie channel is a movie channel is a movie channel....The plan of ours would be nice if we can use an existing infrastructure, but it is not absolutely necessary," he said.

But Hughes also believes it will be in the interest of cable operators to enter DBS, Petrucci said, adding: "We have no intention of alienating cable operators." Hughes' DBS system "is not intended to replace cable operators. It never will, not in our lifetime. It will be a way to reach the people the cable operators never would—to reach people within cable operation districts who are not cabled today or to provide overbuild for small systems to expand to at least a 32-channel system," said Petrucci.

The key difference between the GE and Hughes satellite systems is power. The Hughes transponders are far more powerful and that translates to smaller dishes, and that, in turn, means a greater potential market. Some two million homes now enjoy a rudimentary type of satellite broadcasting by downlinking C-band distribution feeds at their homes with eight- to 10-foot dishes costing around $2,000. According to Hughes's video services vice president, Jerry Farrell, the GE Americom approach is not much progress. By selling three-foot Ku-band dishes [which GE says is small enough] to owners of five- to 10-foot C-band dishes, he said, "incrementally, you can get a few more people, but until you can get dishes down into the one-foot size [as proposed by Hughes] that you can stick under your window sill, and which you don't have to have professionally installed," the market will not expand much.

But Sharer counters that the big picture says otherwise. "Ignore economics, ignore industry structure [and] nobody can argue with...more power is better," said Sharer. But, unlike the Hughes satellite, the Crimson satellite are nonthreatening to cable operators with "legitimate concerns about bypass" of their market, he said. A 60-watt satellite is never going to be an economic winner in a cabled area, he said. The dish is too big, he said. The cable operators will look at K-3 and say, 'It is technologically complementary. It really isn't competitive...with what I do,' " he said. Those same operators, approached by someone selling a 200-watt bird, "are probably going to think a lot harder about, 'Am I establishing a business that will one day eat my children?' "

Petrucci responds by arguing that the signals of both systems will be ubiquitous. "[GE's] satellite is equally threatening. It can't be halfway threatening."



Hughes HS 376 (Galaxy and Westar)

Satellite operators note shakeout: GE and Hughes suggest AT&T and GTE could follow Westar, MCI, IBM divestitures, leaving select set of giants

Consolidation among satellite operators has become a reality this year. Western Union, IBM and MCI are selling off their satellite interests. A recent reorganization at Contel ASC (formerly American Satellite Co.) has cast doubt on its future in the business. And despite Federal Communications Commission approval earlier this month of Comsat's buy of MCI's SBS I and SBS II satellites, Comsat did not file for new domestic birds last fall—a sign that it may also be bowing out of the domestic satellite business.

The narrowing of the field among operators serving television programers has been a generation-long process. Because television stations and cable headends want to receive programing from as few satellites as possible, the first generation of satellite operation has seen programers aggregating on

a handful of satellites. Most cable headends point their dishes only at four 'primary cable birds': GE Americom's Satcoms III and IV and Hughes's Galaxy I and III. In broadcast television, NBC affiliates look at co-owned Americom's K-2 satellite. But ABC-TV and CBS-TV, along with much syndicated programing, are aggregated on AT&T's Telstars 301 and 302.

According to GE and Hughes, their ability to replace all their current capacity is not in doubt. And the addition of Westars III, IV, V and VI to Hughes's stable of C-band birds to Hughes, if approved by the FCC next fall, will effectively double Hughes' current 72 C-band transponder inventory, albeit with Westar satellites older than the vast majority of in-orbit birds. The buy would give Hughes, first, interim capacity to offer in the early 1990's and, second, a foot in the door to maintaining FCC permits for the Westar orbital slots. But because Hughes sold much of its capacity to MCI, Contel ASC and others, GE will remain the top C-band capacity owner, at least until the next Hughes birds are launched, with 120 transponders in orbit now.

"If AT&T has a satellite up there, I'm sure they would be a prime candidate to get [current customers ABC's and CBS's] business," said Sharer, "but at the moment AT&T doesn't have licenses for a follow-on nor for a hybrid they applied for last year."

Applications for those proposed AT&T Telstar 300 series replacement birds, along with applications filed by six other operators, are pending at the FCC, which reportedly will act on them this fall.

Petrucci

AT&T, said its satellite communications director, Karl Savatiel, will remain viable in satellite operation into the next century. The three Telstar satellites, he said, will be replaced by two "monster" hybrid birds, each carrying 24 C-band and 24 Ku-band transponders. A request for proposals to build those and a third ground spare will be issued "sometime this summer. We know what we want," including a third hybrid as a ground spare, "and we'll go right for it," at an estimated cost of $500 million.

FCC decisions on orbital slot renewals, as well as on other sales, will help define the consolidation. Hughes's business plans, no less than AT&T's, however, are also contingent on FCC approval of each application to construct and launch a satellite. As literally dozens of satellites are launched in the next ten years, satellite owners and operators will want to be able to assure their customers that they will not face the expense and effort of rearranging or replacing their ground segments. The move of a major programer from one satellite to another, or a switch from C-band to Ku-band, can mean tough choices for cable operators and TV and radio stations.

"If we, or anybody else, has had access to a slot for a considerable amount of time and is operating the business properly, there should be, in our opinion, no reason why we shouldn't have a renewal expectancy," said Petrucci. "These are multi-hundred-million-dollar investments that we're making. That's why there are only a few of us left—the General Electrics and Ma Bell."

"AT&T has C-band capacity as well," said Sharer. "We take those guys seriously. But GTE," he noted, "tends to be a bit more focused in the business market."

Detroit-based regional cable network, Pro Am Sports, and Associated Press leased capacity on GTE Spacenet III, the newest domestic satellite, before its launch last March. But other programer decisions, said GTE president, Jerry Whalen, "are not being driven as much as we'd like by the new satellite capability being available. They don't see the schedule being quite so urgent to transfer right now.

"It's not part of our strategy" for Spacenet III, said Whalen, to seek "several arrangements with cable programers for that capacity use." But GTE is competing for the PBS, CBS and ABC distribution contracts and has recently reported ongoing discussions with Rainbow Programing Enterprises about carrying its network of five regional cable networks.

And Spacenet III is not the only GTE capacity available for program distribution. Long-term plans call for launching three satellites by 1993, carrying 72 transponders in each band. With the launch next September of GStar III, GTE's short-term edge with broadcasters may lie in Ku-band. Just two weeks ago, ABC began using all three of its new long-term lease, GTE Spacenet Ku-band transponders, and that same week, CBS began using its first long-term GTE Ku-band lease. Both networks attribute the new leases to increasing demand for affiliate news backhaul. But business data networks and an educational programing service lead the pack of those using GTE's four in-orbit birds.

DBS is not the only potential market for Ku-band, which has proved itself indispensible for backhaul feeds from remote sites to programers, particularly the networks.

Although DBS contingencies are part of the GE Americom-HBO-formed Crimson Satellite Associates joint venture formed two years ago, the driving idea was to draw cable programers out of C-band and into Ku-band delivery of their product to cable headends. HBO remains alone on Satcom K-1, and no programer has signed onto the real Crimson bird, K-3, which is to be

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launched in 1990.

But now that CBS, ABC, PBS and other programers have gotten down to the business of issuing requests for price quotations and detailed next-generation proposals from the operators—setting the stage for a much larger family of cable programers that will need replacement capacity between 1992 and 1996—theories and contingencies have begun to give way to realities.

Although the possibility exists that at least some cable programers could move to Crimson's K-3, bringing about cable abandonment of C-band delivery in the 1990's, FCC filings "are not business plans," said one operator, and many of the proposed Ku-band transponders will probably not go into orbit.

□

Broadcast and cable networks are breaking ground, beginning the serious, painstaking and exciting business of building a new satellite neighborhood. Gone are the days of checking the classified ads for any number of rooms to rent. The landlords have decreed there will be money down before the new homes for TV programing are built.

"I think any businessman in the satellite game will try to...find some precommitments for the capacity, a solid tenant, someone who really has a business and will really need the capacity," said GE Americom's Sharer. "Also solid in the sense that it makes the neighborhood attractive, and other people would want to affiliate. And if you can lay off some of your risk financially, sharing the risk with that person, then you minimize your commercial risk because you've created a valuable piece of property by their tenancy—that's a good way to try to manage your risk. There's obviously always some speculation, but you want to try to balance. [And for] the guys who buy the second wave—guess what, the prices go up."

The prospective tenants have gotten the message. "Is a prudent programer getting out there, talking to everybody and finding out everything he can about what is and will be in orbit?" asked Viacom International science and technology vice president, Matthew Miller. "You betcha."

Risky business

When the space shuttle flies again this fall, or anytime thereafter, it will no longer carry commercial satellites. Since the January 1986 shuttle disaster and the subsequent decision to reserve the shuttle for noncommercial uses, only two domestic communications satellites have been launched at all, both by French launcher, Arianespace, and both belonging to GTE Spacenet—GStar II, March 28, 1986, and Spacenet III, almost exactly two years later, on March 11, 1988. Ariane with a launch failure in 1986, suffered its own suspension of activity lasting from May of that year until September, 1987, when it launched two non-U.S. birds. Since then, Ariane has conducted four successful launches, sending seven more satellites, including Spacenet III, into orbit.

The in-orbit failure of West Germany's first direct broadcast satellite earlier this year demonstrated that a successful launch does not end the risk involved in building and operating commercial satellites (BROADCASTING, Feb. 29). But Arianespace's recent successes—as well as the imminent entry into the commercial launch business of U.S. companies Martin Marietta, General Dynamics, McDonnel Douglas, and China's Long March—have given new promise to the business plans of U.S. satellite operators, all of which must construct and launch replacements for an entire generation of birds in the 1990's (see chart, page 46).

Use of the shuttle will be missed, however, not only for the frequency with which it deployed commercial satellites, but for the low price NASA offered. Expendable launch vehicles and a new generation of larger, more powerful and more technically advanced satellites will cost more, "$200 million a pop," as one satellite operator put it. And the level of risk associated with each launch will determine the insurance costs. "As long as we continue to see launch successes, insurance is not only available, but the rates are coming down, and the amount of insurance [available to satellite builders] is going up," said Steve Petrucci, president, Hughes Communications. Insurance premiums "will return to what we think is along the rational level of 20%" of the launch cost by 1990, said GE Americom president, Kevin Sharer.

Predicting "a three-, four-, five-time increase" in available insurance, Petrucci noted, however, that, "Though [the launch] crisis is over, of course, all it takes is one failure now and then, and a minicrisis can erupt."

Carlson downplayed Festival's failure. "This is not a very negative thing for the company." Indeed, sources said that programing costs were not that high for Festival, given its duplication of some of the movie titles carried by HBO and Cinemax. Festival operated with a staff of 25 to 35, who will now be moved into HBO's other areas.

HBO said that Festival's failure will not result in any changes in Time Inc. earnings, since the service did not involve any real fixed costs.

HBO Inc. said that it would continue to pursue another "niche" service, despite the failure of Festival. As one executive pointed out, it was from the "ashes" of Take 2 (another HBO channel attempt that died in 1980) that Cinemax was born. There were no specifics on when another HBO "niche" channel might be born from HBO last week, but as Reilly put it, such a launch will probably be related to the growth of cable systems' channel capacities.

Frankenbach said HBO continues to look at other programing ideas, including supplying programing for pay-per-view and "assessing opportunities" in basic cable. She said HBO would consider some MSO participation in a basic service "because without MSO involvement in distribution, it is very difficult." But, she said, "the realities are we'd like to be able to launch something and manage it ourselves," because of HBO's expertise in programing and marketing. □

King World to partner with advertisers to develop programs

Programer creates new division under former ad man Jeffrey Grant

King World has formed a new division to develop original programing with creative and fiscal support from advertisers, according to the new division's president, Jeffrey Grant.

Grant, who developed similar programing earlier in the decade in his post as vice president of programing for Benton and Bowles, said that the programing could be developed not only for the commercial networks, but for syndication and cable as well.

He added that while made-for-TV movies have in the past been "the bread and butter" of advertiser-supported programing, one King World goal is to create TV series fully sponsored by advertisers.

"There is a growing appetite for client-supplied programing," said Grant. "The environment today is more hospitable" for programs in which advertisers have direct creative involvement.

King World Chairman Roger King and President and Chief Executive Officer Michael King said in a prepared statement: "We look forward to working hand-in-hand with our advertisers and believe that the efficient tenets of this new venture will result in significant television production activity."

Grant

Grant joined King World several weeks ago from his most recent post as president of Reader's Digest Entertainment/Taft Entertainment Television, which ceased operations following the sale of Taft and its reorganization under Great American Communications earlier this year.

During the early-to-mid 1980's, Grant was responsible at B&B for producing sev-

NBC's 11.5 takes week 42; ABC's 8.9 wins news

Nielsen		Net		AGB	Nielsen		Net		AGB
1.	17.1/31	N	Night Court	5. 16.0/30	32.	9.1/17	A	ABC Sunday Movie	30. 9.2/17
2.	17.0/33	N	Different World	2. 16.8/33	33.	8.8/17	C	Jake and the Fatman	37. 8.7/18
3.	16.9/31	N	Cheers	3. 16.2/31	34.	8.8/22	N	ALF	33. 9.0/21
4.	15.9/33	N	Cosby Show	1. 17.1/34	35.	8.7/18	A	Thirtysomething	48. 7.6/14
5.	15.8/34	N	Golden Girls	4. 16.0/34	36.	8.7/19	C	Magnum, P.I.	43. 8.2/19
6.	15.8/30	N	L.A. Law	8. 14.2/27	37.	8.6/16	A	Spenser: For Hire	38. 8.6/18
7.	15.5/29	N	NBC Sunday Movie	6. 15.7/29	38.	8.6/15	A	Slap Maxwell Story	46. 8.0/15
8.	15.0/34	C	60 Minutes	7. 15.4/35	39.	8.6/20	N	Hogan Family	36. 8.8/20
9.	14.4/28	C	Murder, She Wrote	10. 13.9/27	40.	8.4/18	C	CBS Friday Movie	34. 8.9/19
10.	14.0/29	N	Hunter	13. 12.9/27	41.	8.3/17	A	A Plague in the Land	39. 8.6/18
11.	13.9/27	A	Who's the Boss?	9. 14.0/28	42.	8.1/15	C	Equalizer	31. 9.1/17
12.	13.8/28	A	20/20	14. 12.8/26	43.	8.1/18	N	NBC Monday Movie	41. 8.5/19
13.	13.6/28	N	Amen	11. 13.7/29	44.	8.0/15	A	ABC Thursday Movie	40. 8.6/16
14.	12.8/24	A	Perfect Strangers, Tues.	15. 12.3/24	45.	7.7/17	C	Designing Women	49. 7.6/17
15.	12.7/25	A	Growing Pains	17. 12.1/25	46.	7.6/17	C	Newhart	45. 8.0/18
16.	12.4/24	N	Matlock	20. 11.9/23	47.	7.4/14	C	Cagney and Lacey	42. 8.2/16
17.	12.3/22	C	CBS Tuesday Movie	12. 13.0/24	48.	7.2/14	A	MacGyver	56. 6.1/12
18.	12.3/28	N	227	16. 12.2/28	49.	7.1/13	C	Simon and Simon	50. 7.5/14
19.	12.2/23	N	NBC Wednesday Movie	21. 11.9/23	50.	6.8/14	A	Ohara	54. 6.5/14
20.	11.5/25	A	Full House	19. 12.0/26	51.	6.7/16	C	Blue Skies	47. 7.9/18
21.	11.1/21	A	Hooperman	28. 9.9/19	52.	6.7/14	C	48 Hours	44. 8.2/16
22.	11.1/25	A	Perfect Strangers, Fri.	22. 11.6/26	53.	6.5/14	C	CBS Saturday Movie	52. 6.6/14
23.	11.1/20	N	NBC Summer Showcase	27. 9.9/18	54.	6.5/14	N	Rags to Riches	58. 6.1/14
24.	11.0/20	N	J.J. Starbuck	26. 10.2/19	55.	6.4/12	C	CBS Summer Playhouse	59. 5.6/11
25.	10.9/26	N	Facts of Life	23. 11.0/26	56.	6.4/14	N	NBC Prime Time Baseball	51. 6.9/15
26.	10.8/23	A	Mr. Belvedere	18. 12.1/25	57.	6.3/15	C	High Mountain Rangers	53. 6.6/15
27.	10.8/22	A	I Married Dora	25. 10.3/21	58.	5.9/14	A	Monday Night Baseball	57. 6.1/14
28.	9.9/18	A	Moonlighting	35. 8.9/16	59.	5.6/11	A	Hothouse	55. 6.1/12
29.	9.8/20	N	Family Ties	24. 10.5/21	60.	5.5/12	A	Disney Sunday Movie	61. 5.4/12
30.	9.7/18	C	CBS Sunday Movie	29. 9.3/17	61.	5.4/13	A	Supercarrier	62. 5.2/12
31.	9.7/18	C	Wiseguy	32. 9.1/17	62.	4.7/11	N	NBC Pre-game Show	60. 5.5/13

* Indicates premiere episode

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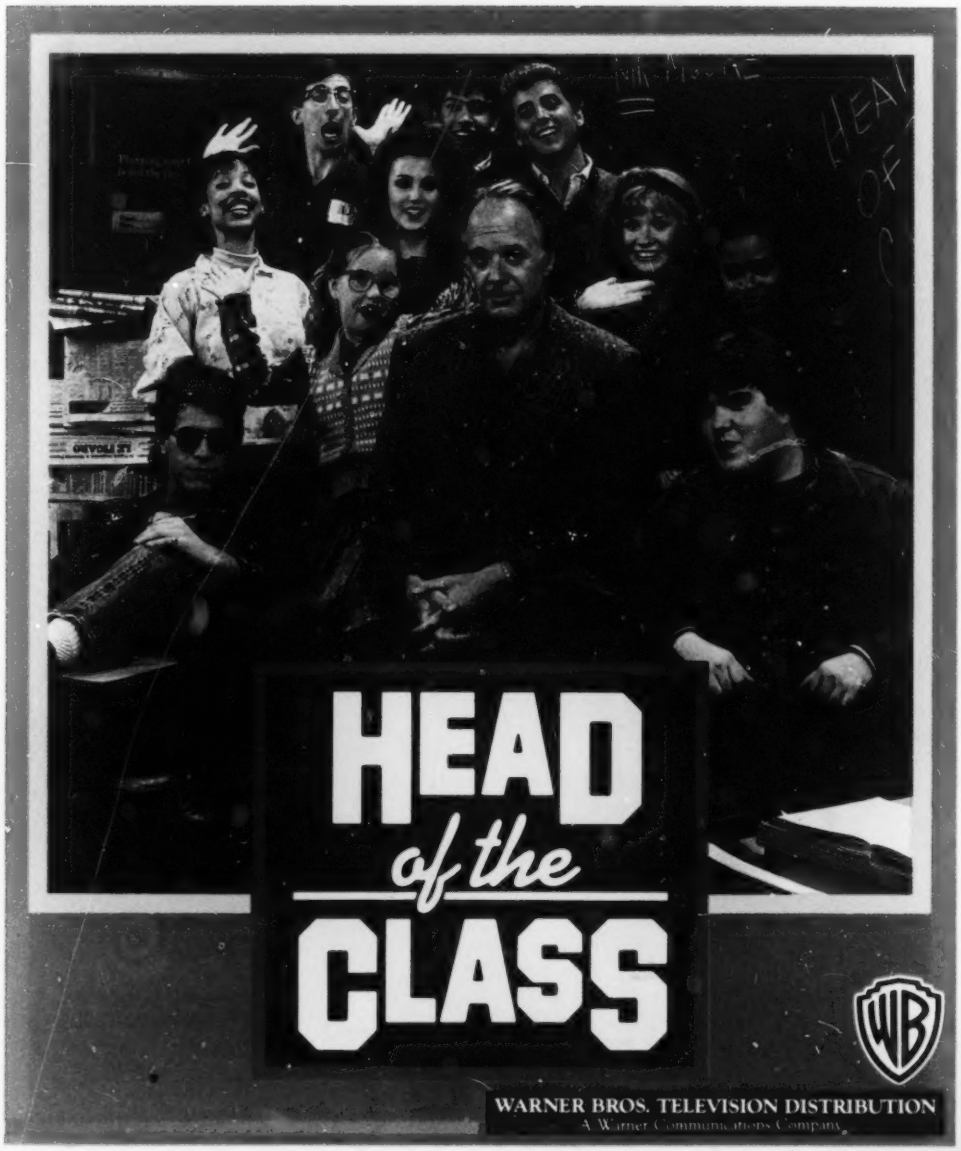

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